

Douglas County
Employees' Retirement Plan
Interim Actuarial Review
January 1, 2009

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Purpose of Interim Actuarial Review

Purpose—The Interim Actuarial Review is prepared for the year between the biannual Actuarial Valuation of the Employee's Retirement Plan to provide:

- An update of the funding status
- An update of plan liabilities
- An update of contribution requirements

Review of Plan Experience

- Status of Plan Participants
- Value of Plan Assets

Determine Actuarial Accrued Liability and Annual Costs

Evaluate Unfunded Accrued Liability

Actuarial Review Based On:

- Existing Plan Provisions as of January 1, 2009
- Current Active and Non-Active Participant Data
- Actuarial Value of Plan Assets
- Actuarial Methods and Assumptions
- 2009 Experience Analysis

Actuarial Assumption Changes

The 2009 experience analysis reviewed the following actuarial assumptions. Based on a comparison of actual to expected experience, no changes to the actuarial assumptions as of January 1, 2009 are recommended. See the separate 2009 Experience Analysis for details of this review.

Assumptions Reviewed:

- Rates of Termination

- Rates of Retirement
 - Rule of 75
 - Other than Rule of 75

- Rates of Salary Increases

- Rates of Mortality

- Rate of Investment Return

Participant Data

	<u>January</u>	
	<u>2008</u>	<u>2009</u>
Active Participants:		
Under Age 65	2,046	2,045
Age 65 & Over	11	11
Total	2,057	2,056
 Non-Active Participants:		
Retired	957	982
Vested Terminated	75	92
Terminated Non-Vested	165	139
Social Services	2	2
Disabled	28	32
 Total Participants	3,284	3,303
 Annual Compensation:		
Total, Under Age 65	\$97,011,758	\$100,185,211
Average Per Participant	47,415	48,990
 Annual Pension Benefit:		
Current Retired	\$12,672,657	\$ 13,688,149
Immediate Disability Payments	487,539	470,516
 Deferred to Age 65		
Vested Terminated	591,457	733,756
Disabled	717,430	860,291

Market Value of Assets
Decrease Since January 1, 2007

	<u>2007</u>	<u>2008</u>
Assets at Beginning of Year	\$175,115,759	\$184,386,700
Receipts:		
County Contributions	7,610,133	8,732,900
Employee Contributions	7,615,358	8,762,361
Interest and Dividends	5,317,735	5,306,654
Realized and Unrealized Gain (or Loss)	3,298,822	(39,989,020)
Total Receipts	23,842,048	(17,187,105)
Disbursements:		
Pensions Paid to Retirees	12,162,311	13,241,552
Refunds to Terminated EEs	1,665,627	1,920,700
Disability Premium/Admin.	191,743	195,886
Administrative Charge	551,426	565,864
Total Disbursements	14,571,107	15,924,002
Assets at End of Year	184,386,700	151,275,593
Approximate Rate of Return	4.9%	-18.7%

Plan Assets

Actuarial Value Description

Objective

Since January 1, 1986, an actuarial value of plan assets has been used to determine annual contribution requirements and to evaluate the funding status of the Retirement Plan. An actuarial value of plan assets is used to smooth fluctuations in market value from one valuation date to the next.

Description

Actuarial value is equal to:

- Adjusted plan assets
- Plus, one-half of the excess of market value over the adjusted plan assets

Where adjusted plan assets equal:

- Actuarial value of plan assets on the prior valuation
- Plus, contributions, interest and dividends
- Less, pensions paid, refunds and other disbursements.

Plan Assets
Actuarial Value January 1, 2009

Actuarial Value, January 1, 2008	\$177,833,982
Plus,	
County Contributions	8,732,900
Employee Contributions	8,762,361
Interest and Dividends	5,306,654
Less,	
Pensions Paid	13,241,552
Refunds	1,920,700
Disability Premiums/Benefits	195,886
Administrative Charge	565,864
Adjusted Value, January 1, 2009	184,711,895
Market Value, January 1, 2009	151,275,593
One-Half Excess, Market Value Less Adjusted Value	(16,718,151)
Actuarial Value, January 1, 2009	167,993,744
Less, Prepaid County Contributions	0
Adjusted Actuarial Value, January 1, 2009	167,993,744
Approximate Rate of Return	-6.4%
Actuarial Value as a % of Market Value	111.1%

Plan Funding

Unfunded Accrued Liability

	<u>January 1,</u>	
	<u>2008</u>	<u>2009</u>
	(\$1,000's)	(\$1,000's)
1. Actuarial Accrued Liability		
Active Employees	\$141,015	\$149,397
Non-Active Employees		
• Retirees	122,395	132,143
• Deferred Vested	3,946	4,727
• Disabled	2,995	3,860
Total	\$270,351	\$290,127
 2. Assets (Actuarial Value)	 177,834	 167,994
 3. Unfunded Accrued Liability = (1 – 2)	 \$ 92,517	 \$122,133
 4. Ratio of Assets to Liability = (2 ÷ 1)	 65.8%	 57.9%

Plan Funding
Annual Normal Cost

	<u>January 1,</u>	
	<u>2008</u>	<u>2009</u>
	(\$1,000's)	(\$1,000's)
Annual Normal Cost		
Retirement, Death, Disability and Termination	\$10,481	\$10,958
Immediate Disability	268	273
Administrative Expenses	553	454
Total	\$11,302	\$11,685
Expected Plan Receipts		
From Employees	\$ 8,246	\$ 8,516
From County	8,246	8,516
Total	\$16,492	\$17,032

Plan Funding

Amortization of Unfunded Accrued Liability

	<u>January 1,</u>	
	<u>2008</u>	<u>2009</u>
	(\$1,000's)	(\$1,000's)
Unfunded Accrued Liability	\$92,517	\$122,133
Annual Normal Cost	11,302	11,685
Expected Plan Receipts		
From Employees	\$ 8,246	\$ 8,516
From County	8,246	8,516
Total	\$16,492	\$ 17,032
Amount Available to Reduce Unfunded Accrued Liability	5,190	5,347
Amortization Period for Balance of Unfunded Accrued Liability	Unable to Amortize	Unable to Amortize

History of Plan Changes

2008	Member and County contribution rate increased from 7.5% to 8.5%
2007	Member and County contribution rate increased from 6.5% to 7.5%
2006	Member and County contribution rate increased from 5.5% to 6.5%
2002	Increase retiree pension by 3%, but not less than \$5 a month
2000	Increase retiree pension by 4%, but not less than \$5 a month
1998	Increase retiree pension by 3%, but not less than \$5 a month
1997	<ol style="list-style-type: none">1. Rule of 75 for other than law enforcement Unreduced benefit upon Rule of 75 2.0% benefit formula after January 1, 1962 5.5% member contributions
1996	<ol style="list-style-type: none">1. Rule of 75 for law enforcement Unreduced benefit upon Rule of 75 2.0% benefit formula after January 1, 1962 5.5% member contributions2. Participation begins on first day of employment3. Increase retiree pension by 4% but not less than \$10 a month
1994	<ol style="list-style-type: none">1. Benefit formula change to the following: 1% of pay for service before January 1, 1962 1.5% of pay for service after January 1, 19622. Decrease in interest rate on employee contributions to 5% effective July 1, 19943. Increase retiree pension by 3%
1992	<ol style="list-style-type: none">1. Early Retirement Incentive Program (112 members elected benefit)2. Early Termination of Employment Incentive Program (188 members elected benefit)3. Increase retiree pension by 3%

History of Plan Changes (continued)

- 1990
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.4625% of pay for service after January 1, 1962
 2. Increase retiree pension by 4%
 3. Vesting changed from 25% after 5 graded to 100% after 15 to 25% after 5 increased 15% a year up to 10
 4. Maximum Disability Benefit increased from \$36,000 to \$57,600
- 1988
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.425% of pay for service after January 1, 1962
 2. Increase retiree pension by 4%, but no less than \$5 a month
 3. Changed eligibility requirements to include participants hired after age 60
- 1986
1. Benefit formula change to the following:
 - 1% of pay for service before January 1, 1962
 - 1.2% of pay for service from January 1, 1962 to January 1, 1972
 - 1.4% of pay for service after January 1, 1972
 2. Increase retiree pension by 6% but not less than \$5 a month
- 1984
1. Increased benefit formula from 1.1% of pay to 1.2% for service after January 1, 1974
 2. Increase retiree pension by 6%, but not less than \$5 a month
- 1982
1. Added Special Early Retirement
 2. Benefit formula change from 1% of pay to 1.1% of pay for service after January 1, 1972
 3. Increase retiree pension by 6%, but not less than \$10 a month
 4. Changes in disability retirement provisions
 5. Changes in actuarial assumptions
 6. Special provisions for county employees change to state employees
- 1980
1. Special Early Retirement
 2. Change in service definition – unlimited sick leave
 3. \$10/month increase in pension to retirees
 4. Added Late Retirement Benefit

History of Plan Funding

<u>Year</u>	<u>Act. Value of Assets (\$1,000's)</u>	<u>Actuarial Accrued Liability</u>		<u>Funded Ratio</u>	
		<u>Before (\$1,000's)</u>	<u>After Changes (\$1,000's)</u>	<u>Before Changes</u>	<u>After Changes</u>
2009	167,994	290,127	290,127	57.9%	57.9%
2008	177,834	269,970	270,351	65.9%	65.8%
2007	165,309	\$253,386	\$248,986	65.2%	66.4%
2006	151,686	239,229	239,602	63.4	63.3
2005	142,403	221,642	—	64.2	—
2004	132,769	204,952	—	64.8	—
2003	125,238	188,697	—	66.4	—
2002	126,336	167,690	172,615	75.3	73.2
2000	117,626	124,906	127,011	94.2	92.6
1998	97,626	107,071	108,391	91.2	90.1
1996	81,626	78,202	83,472	104.4	97.8
1994	69,860	71,242	72,869	98.1	95.9
1992	60,912	59,747	66,161	101.9	92.1
1990	48,387	47,474	48,717	101.9	99.3
1988	37,662	36,212	37,390	104.0	100.7
1986	30,161	27,830	30,455	108.4	99.0
1984	21,752	20,912	22,203	104.0	98.0
1982	16,115	16,687	17,828	96.6	90.4
1980	11,468	15,229	15,597	75.3	73.5

Summary of Plan Provisions

Eligibility	First day of continuous employment
Benefit Service	Years of employment following July 1, 1952 Service following January 1, 1955 for former participants of Board of Health Plan
Retirement Age	
Normal	Age 65
Early	Age 55 and 20 years of service, or Age 60 and 5 years of service
Rule of 75	Age 50, age plus service total 75 or more.
Final Average Pay	Highest average during the 60 consecutive months of the last 120 months of service Average for former participants of Board of Health Plan is limited for years of service prior to 1975
Retirement Annuity	Joint life annuity, 60% continuing to eligible spouse or dependent children Five year certain and life, if no eligible dependents
Contributions	
Employee	Members contributed 5.5% of total earnings prior to January 1, 2006. The annual contribution rate increased to 6.5% as of January 1, 2006, 7.5% as of January 1, 2007 and 8.5% as of January 1, 2008 and thereafter. Following July 1, 1985 employee contributions are made on a "before tax" basis utilizing the "employer picked up" provisions of IRC 414(h)(2)
County	Based on actuarial recommendation; not in excess of employee contributions

Summary of Plan Provisions (continued)

Retirement Benefit

Normal	1% of Final Average Pay for years of Benefit Service prior to 1962, plus 2% of Final Average Pay for years of Benefit Service after 1961. Maximum 60% of Final Average Pay.
Early	Earned benefit reduced by 3% per year
Rule of 75	Unreduced earned benefit.
Late	Larger of: <ul style="list-style-type: none">• Benefit earned to Age 65, increased 3/4 of 1% for each month retirement is deferred• Benefit earned to date of retirement no change in pay

Disability Benefit

Eligibility	5 Years of Service, 6 months of total and permanent disability
Immediate Benefit	70% of compensation, offset by Social Security and Workers' Compensation to a maximum monthly benefit of \$4,800
Deferred Benefit	Projected retirement benefit determined assuming no change in pay

Preretirement Death Benefit

Married, With 8 Years Service	60% of earned pension payable to surviving spouse or dependents
Unmarried or Ineligible	Return of employee contributions, plus 5% interest

Termination Benefit

Return of employee contributions, plus 5% interest or a deferred vested benefit
Vesting graded from 25% at 5 years increasing 15% per year until reaching 100% after 10 years

Actuarial Methods and Assumptions

Projected Unit Credit Cost Method

Annual Benefit	Portion of projected retirement benefit allocated to each year of plan participation
Actuarial Present Value	The amount needed today to satisfy a future obligation
Annual Normal Cost	Actuarial present value of Annual Benefit allocated to 2009
Actuarial Accrued Liability	Actuarial present value of Annual Benefits allocated to years prior to 2009

Actuarial Methods and Assumptions

Actuarial Assumptions

Annual Rate of Investment Return 7.5%

Annual Rate of Increases in Salary 5.5%

Annual Rate of Voluntary Withdrawal

<u>Age</u>	
25	16.2%
35	11.6
45	7.4
55	1.7

Rate of Mortality RP 2000 Projected to 2007

Rate of Retirement	<u>Rule of 75</u>	<u>Other</u>
Age 50	30%	5%
51-54	15	<u>2</u>
55-61	15	5
62	40	20
63-69	30	10
70	100	100

Retirement rate is 30% the first year a Member is eligible for the Rule of 75.

Administrative Expense 3/10 of 1% of plan assets